

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 EA-09 /102 W
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R 202217Z JUL 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 4183
INFO AMCONSUL MONTREAL
ALL OTHER AMCONSULS CANADA POUCH

UNCLAS SECTION 01 OF 02 OTTAWA 06552

E.O. 11652: N/A
TAGS: EINV, ECON, CA
SUBJECT: GROWING PUBLIC APPROVAL OF U.S. ECONOMIC INFLUENCE
IN CANADA

1. SUMMARY: A RECENTLY PUBLISHED 1976 OPINION SURVEY
SHOWS GROWING CANADIAN PUBLIC APPROVAL OF CLOSER ECONOMIC
TIES WITH THE U.S., INCREASED BELIEF THAT AMERICAN DIRECT
INVESTMENT IN CANADA HAS GOOD EFFECTS ON THE ECONOMY, AND
A DECLINE IN THE PERCENTAGE OF THOSE WHO BELIEVED IT WAS
IMPORTANT TO CONTROL FOREIGN INVESTMENT IN CANADA. THE
TREND OF NEGATIVE PUBLIC ATTITUDES TOWARDS U.S. ECONOMIC
INFLUENCE IN CANADA HAS GENERALLY DECLINED STEADILY SINCE
1974 AS DOMESTIC ECONOMIC CONDITIONS IN CANADA DECLINED.
END SUMMARY.

2. THE ELLIOTT RESEARCH CORPORATION OF TORONTO HAS
CONDUCTED SURVEYS FOR SEVERAL YEARS ON PUBLIC ATTITUDES
TOWARDS U.S. INFLUENCE IN THE CANADIAN ECONOMY. THE LATEST
SURVEY WAS CONDUCTED IN THE FALL OF 1976, PRIOR TO THE
QUEBEC ELECTIONS IN NOVEMBER. QUESTIONS ASKED WERE:

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A. WHETHER CANADA SHOULD SEEK AN INDUSTRIAL STRATEGY OF
MAINTAINING ITS PRESENT RELATIONSHIP WITH THE U.S., MOVE
TOWARDS CLOSER INTEGRATION WITH THE U.S., OR SEEK A
STRONGER RELATIONSHIP WITH EUROPE AND ASIA;

B. WHETHER AMERICAN OWNERSHIP OF FIRMS IN CANADA HAD A
GOOD OR BAD EFFECT ON THE CANADIAN ECONOMY; AND

C. WHETHER OR NOT IT IS IMPORTANT TO CONTROL INCOMING FOREIGN INVESTMENT.

3. WHILE MORE CANADIANS FEEL THAT CANADA SHOULD MAINTAIN ITS PRESENT RELATIONSHIP WITH THE U.S. THAN EITHER OF THE OTHER "INDUSTRIAL STRATEGY" OPTIONS, THERE WAS A SHARP RISE IN 1976 OF THE PERCENTAGE OF THOSE WHO THOUGHT THAT CANADA SHOULD SEEK CLOSER TIES WITH THE U.S., UP FROM 22 PERCENT IN 1975 TO 30 PERCENT IN 1976. THE BIGGEST INCREASES IN THOSE FAVORING CLOSER TIES WITH THE U.S. CAME IN QUEBEC, B.C., AND ONTARIO. THERE WAS A MATCHING DECLINE IN 1976 OF THOSE WHO FELT CANADA SHOULD MAINTAIN ITS PRESENT RELATIONSHIP WITH THE U.S., DOWN FROM OVER 46 PERCENT IN 1975 TO JUST UNDER 40 PERCENT LAST YEAR. IN 1974, MORE PEOPLE THOUGHT CANADA SHOULD PURSUE ITS "THIRD OPTION" OF CLOSER TIES WITH EUROPE AND ASIA (29 PERCENT) THAN CLOSER TIES WITH THE U.S. (20 PERCENT), BUT THE PERCENT OF THOSE FAVORING THE THIRD OPTION FELL TO A LOW LEVEL (22 PERCENT) IN 1975, AND REMAINED AT ABOUT THAT LEVEL LAST YEAR.

4. THE QUESTION OF WHETHER AMERICAN OWNERSHIP OF FIRMS WAS "GOOD" OR "BAD" FOR THE CANADIAN ECONOMY HAS BEEN ASKED SINCE 1969. BEGINNING IN 1969 THERE WAS A STEADY INCREASE IN THE PROPORTION OF THE POPULATION WHO THOUGHT AMERICAN OWNERSHIP HAS A "BAD" EFFECT, REACHING A HIGH OF 51 PERCENT UNCLASSIFIED

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IN 1973. THE "GOOD" INDEX DECLINED ACCORDINGLY TO 32 PERCENT IN 1973. IN 1974 A NEW CATEGORY "QUALIFIED - BOTH GOOD AND BAD" WAS ADDED TO THE QUESTIONNAIRE, AFFECTING THE DIRECT COMPARABILITY WITH THE PREVIOUS STUDIES. HOWEVER, IN 1974 THE NEGATIVE REPLIES (36 PERCENT) WERE STILL WELL AHEAD OF THE POSITIVE REPLIES (24-1/2 PERCENT). 1975 SAW A SHARP INCREASE IN THE "GOOD" INDEX TO 30 PERCENT, ALTHOUGH IT WAS STILL SURPASSED BY THE "BAD" INDEX (35 PERCENT). IN 1976 THE TWO TRENDS FINALLY CROSSED, WITH 37 PERCENT OF RESPONDENTS SAYING THAT U.S. OWNERSHIP WAS "GOOD" AND 32 PERCENT REPLYING IT WAS "BAD."

5. THE MAIN REASON GIVEN BY THOSE WHO SAW AMERICAN INVESTMENT IN CANADA AS "GOOD" WAS THAT IT CREATED EMPLOYMENT (47 PERCENT). OTHER REASONS GIVEN WERE THAT OUTSIDE INVESTMENT IS NEEDED FOR EXPANSION; THAT OUTSIDE INVESTMENT BRINGS MORE MONEY INTO CANADA AND RAISES LIVING STANDARDS; AND THAT CANADIANS ARE NOT WILLING TO INVEST ENOUGH THEMSELVES.

6. REASONS GIVEN FOR VIEWING U.S. INVESTMENT IN CANADA AS "BAD" CENTERED AROUND FEELINGS THAT CANADIANS SHOULD

CONTROL THEIR OWN ECONOMY, AND THAT PROFIT REMITTANCES TO THE U.S. DO NOT BENEFIT CANADA.

7. OF THOSE GIVING A QUALIFIED RESPONSE ABOUT THE VALUE OF U.S. DIRECT INVESTMENT IN CANADA, MOST SAID THAT IT WAS "GOOD" IN THE SHORT RUN FOR EMPLOYMENT, BUT BAD FOR LONG RUN GOALS OF GREATER DOMESTIC CONTROL.

8. ON THE QUESTION OF THE VALUE OF CONTROLS OVER FOREIGN INVESTMENT, MORE CANADIANS BELIEVE THAT THERE IS A NEED FOR SUCH CONTROLS THAN THOSE WHO THINK IT IS NOT A PROBLEM. HOWEVER, THE PERCENT OF THOSE WHO IN 1976 THOUGHT CONTROL

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WAS NOT A PROBLEM (31 PERCENT) WAS UP SHARPLY (FROM 24 PERCENT IN 1975), WHILE THOSE WHO SAID THERE WAS A NEED FOR CONTROLS OVER FOREIGN INVESTMENT FELL OVER THE SAME PERIOD FROM 39 TO 35 PERCENT.

9. COMMENT: THIS SURVEY TENDS TO CONFIRM WHAT MANY HAVE FELT INTUITIVELY - THAT THE FEELINGS OF CANADIAN ECONOMIC NATIONALISM HAVE WANED CONSIDERABLY IN THE PAST TWO YEARS. YEARS OF HIGH RATES OF REAL ECONOMIC GROWTH AND APPARENT ENERGY SELF-SUFFICIENCY IN THE LATE 1960'S AND EARLY 1970'S HAVE BEEN REPLACED IN CANADA BY THE DELAYED IMPACT OF THE WORLD RECESSION, DOMESTIC INFLATION, SLOW PRODUCTIVITY GAINS, CONCERN ABOUT COMPETITIVENESS IN FOREIGN MARKETS, GROWING CURRENT ACCOUNT DEFICITS AND INCREASED DEPENDENCE ON IMPORTED ENERGY. THE RESULTS HAVE BEEN BETTER PUBLIC ATTITUDES TOWARDS U.S. INFLUENCE IN THE CANADIAN ECONOMY --

BUILT ON THE PERCEPTION THAT U.S. INVESTMENT CAN HELP CANADA OVERCOME ITS PROBLEMS. HOWEVER, WITH ABOUT 40 PERCENT OF THE PUBLIC STILL BELIEVING THAT CONTROL BY U.S. CORPORATIONS OF CANADIAN FIRMS IS "BAD" AND OVER ONE-THIRD FEELING A NEED FOR CONTROL OVER NEW INCOMING INVESTMENT, AN AMPLE RESERVOIR OF PUBLIC SUSPICION TOWARDS U.S. FIRMS

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IN CANADA CLEARLY CONTINUES TO EXIST.

10. TABLES

A. TABLE I. BEST INDUSTRIAL STRATEGY FOR CANADA

PERCENT CHANGE				
	1976	1975	1974	
CLOSER TO U.S.	30	22	20	
CLOSER TO EUROPE/ASIA		22	21	29
STAY AS WE ARE	40	46	39	
NO OPINION	8	11	12	

B. TABLE II. AMERICAN OWNERSHIP OF FIRMS IN CANADA

PERCENT CHANGE				
	1976	1975	1974	
"GOOD" THING	37	30	34	
"BAD" THING	32	35	36	
QUALIFIED	24	25	30	
NO OPINION	7	10	10	
ENDERS				

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Message Attributes

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Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
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Disposition Case Number: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770258-0564
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Handling Restrictions: n/a
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Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
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Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Media Identifier:
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Review Release Event: n/a
Review Transfer Date:
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Secure: OPEN
Status: NATIVE
Subject: GROWING PUBLIC APPROVAL OF U.S. ECONOMIC INFLUENCE IN CANADA
TAGS: EINV, ECON, CA, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/581d0467-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009